

# COMMITTEE REPORT

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## MADAM PRESIDENT:

The Senate Committee on Pensions and Labor, to which was referred House Bill No. 1346, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

- 1           Page 4, after line 29, begin a new paragraph and insert:
- 2           "SECTION 5. IC 5-10-1.1-7.5 IS AMENDED TO READ AS
- 3           FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7.5. (a) As used in
- 4           this section, "state agency" means the following:
- 5               (1) An authority, a board, a branch, a commission, a committee,
- 6               a department, a division, or other instrumentality of state
- 7               government.
- 8               (2) A separate corporate body politic that adopts the plan
- 9               described in subsection (b).
- 10              (3) State elected officials and their office staff.
- 11              (4) The legislative services agency.
- 12              (5) Legislative staff eligible to participate in the state employees'
- 13              deferred compensation plan established by section 1 of this
- 14              chapter.
- 15           However, the term does not include a state educational institution (as
- 16           defined in IC 20-12-0.5-1) or a political subdivision.
- 17           (b) The deferred compensation committee shall adopt provisions in
- 18           a defined contribution plan, under Sections 401(a) and 414(d) of the
- 19           Internal Revenue Code, for the purpose of converting unused excess
- 20           accrued leave to a monetary contribution for employees of a state
- 21           agency. These provisions may be part of the plan and trust established

1 under section 1.5(a) of this chapter.

2 (c) The deferred compensation committee is the trustee of the plan  
3 described in subsection (b). The plan must be a qualified plan, as  
4 determined by the Internal Revenue Service.

5 (d) The state personnel department shall adopt rules under IC 4-22-2  
6 that it considers appropriate or necessary to implement this section. The  
7 rules adopted by the state personnel department under this section must:

8 (1) be consistent with the plan described in subsection (b);

9 (2) include provisions concerning:

10 (A) the type and amount of leave that may be converted to a  
11 monetary contribution;

12 (B) the conversion formula for valuing any leave that is  
13 converted;

14 (C) the manner of employee selection of leave conversion; and

15 (D) the vesting schedule for any leave that is converted; and

16 (3) apply to all state agencies.

17 (e) The rules adopted by the state personnel department under  
18 subsection (d) specifying the conversion formula must provide for a  
19 conversion rate under which the amount contributed on behalf of a  
20 participating employee for a day of leave that is converted under this  
21 section is equal to at least sixty percent (60%) of the employee's daily  
22 pay as of the date the leave is converted.

23 (f) The deferred compensation committee may adopt the following:

24 (1) Plan provisions governing:

25 (A) the investment of accounts in the plan; and

26 (B) the accounting for converted leave.

27 (2) Any other plan provisions that are necessary or appropriate for  
28 operation of the plan.

29 (g) The plan described in subsection (b) may be implemented only  
30 if the deferred compensation committee has received from the Internal  
31 Revenue Service any rulings or determination letters that the committee  
32 considers necessary or appropriate.

33 **(h) To the extent allowed by:**

34 **(1) the Internal Revenue Code; and**

35 **(2) rules adopted by:**

36 **(A) the state personnel department under this section; and**

37 **(B) the public employees' retirement fund under**  
38 **IC 5-10.3-8-14;**

39 **an employee of a state agency may convert unused excess accrued**  
40 **leave to a monetary contribution under this section and under**  
41 **IC 5-10.3-8-14.**

42 **SECTION 6. IC 5-10.3-8-14 IS ADDED TO THE INDIANA**

CODE AS A NEW SECTION TO READ AS FOLLOWS  
 [EFFECTIVE JULY 1, 2005]: **Sec. 14. (a) This section applies to employees of the state (as defined in 5-10.3-7-1(d)) who are members of the fund.**

**(b) The board shall adopt provisions to establish a retirement medical benefits account within the fund, under Section 401(h) or another applicable section of the Internal Revenue Code, for the purpose of converting unused excess accrued leave to a monetary contribution for employees of the state to fund on a pretax basis benefits for sickness, accident, hospitalization, and medical expenses for retired employees of the state, their spouses, and their dependents.**

**(c) The board is the trustee of the account described in subsection (b). The account must be qualified, as determined by the Internal Revenue Service, as a separate account within the fund whose benefits are subordinate to the retirements benefits provided by the fund.**

**(d) The board shall adopt rules under IC 5-10.3-3-8 that it considers appropriate or necessary to implement this section after consulting with the state personnel department. The rules adopted by the board under this section must:**

- (1) be consistent with the account described in subsection (b) and the fund;**
- (2) include provisions concerning:**
  - (A) the type and amount of leave that may be converted to a monetary contribution;**
  - (B) the conversion formula for valuing any leave that is converted;**
  - (C) the manner of employee selection of leave conversion;**
  - and**
  - (D) the vesting schedule for any leave that is converted.**

**(e) The board may adopt the following:**

- (1) Account provisions governing:**
  - (A) the investment of amounts in the account; and**
  - (B) the accounting for converted leave.**
- (2) Any other provisions that are necessary or appropriate for operation of the account.**

**(f) The account described in subsection (b) may be implemented only if the board has received from the Internal Revenue Service any rulings or determination letters that the board considers necessary or appropriate.**

**(g) To the extent allowed by:**

(1) the Internal Revenue Code; and

(2) rules adopted by:

(A) the board under this section; and

(B) the state personnel department under IC 5-10-1.1-7.5;

employees of the state may convert unused excess accrued leave to a monetary contribution under this section and under IC 5-10-1.1-7.5.

SECTION 7. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "committee" refers to the deferred compensation committee established by IC 5-10-1.1-4.

(b) As used in this SECTION, "plan" refers to the deferred compensation plan described in IC 5-10-1.1-1.5.

(c) The committee shall adopt a pilot program that enables the employees of at least one (1) branch of state government to make the first conversion of unused excess accrued leave to a monetary contribution under the plan not later than December 31, 2005.

(d) The auditor of state shall provide for the administration of the pilot program under IC 5-10-1.1-5.

(e) The provisions of IC 5-10-1.1-7.5 apply to the pilot program described in subsection (c).

(f) This SECTION expires on the earlier of:

(1) the date the leave conversion provisions of the plan are fully implemented on a permanent basis for all state agencies (as defined in IC 5-10-1.1-7.5(a)); or

(2) July 1, 2010.

SECTION 8. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "department" refers to the state personnel department established by IC 4-15-1.8-2.

(b) Notwithstanding IC 5-10-1.1-7.5(d), the department shall adopt any rules to implement IC 5-10-1.1-7.5, as amended by this act, and SECTION 7 of this act, in the same manner as emergency rules are adopted under IC 4-22-2-37.1.

(c) Any rules adopted under this SECTION must be adopted so that employees of at least one (1) branch of state government are able to make the first conversion of unused excess accrued leave not later than December 31, 2005.

(d) A rule adopted under this SECTION expires on the earlier of:

(1) the date rules are adopted by the department under IC 4-22-2-24 through IC 4-22-2-36 to implement IC 5-10-1.1-7.5, as amended by this act, for all state agencies (as defined in IC 5-10-1.1-7.5(a)); or

- 1           **(2) July 1, 2010.**
- 2           **(e) This SECTION expires July 1, 2010.**
- 3           **SECTION 9. An emergency is declared for this act."**
- 4           Renumber all SECTIONS consecutively.  
(Reference is to HB 1346 as printed January 25, 2005.)

**and when so amended that said bill do pass .**

Committee Vote: Yeas 6, Nays 0.

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**Senator Harrison, Chairperson**